

Statement of significant changes

2023-24 Wholesale Non-Household Scheme of Charges

Primarily due the high rate of inflation, there will be some significant increases in wholesale charges this year. You can read more about [why bills are changing](#) and the steps we have taken to reduce the impact on customers this year ([mitigation](#)) further on in this document.

Illustrative bills – wholesale non-household

Typical customers will see different bill changes depending on whether they are metered or unmetered and the amount of water they use. Illustrative bill changes for a range of customers are set out below.

Table 1 - Wholesale bills for typical customers in Powys and Monmouthshire

Wholesale ¹	22-23 Water	Waste ²	Total	23-24 Water	Waste ²	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£74	£90	£163	£92	£119	£211	29.1%	+£4.00
Average	£140	£160	£300	£163	£205	£368	22.7%	+£5.75
High	£166	£187	£353	£190	£239	£429	21.6%	+£6.25
<i>Metered</i>								
V.Small (60m ³)	£106	£170	£276	£113	£206	£319	15.6%	+£3.50
Small (120m ³)	£296	£299	£595	£314	£351	£666	11.8%	+£5.75
1,000m ³	£1,597	£1,333	£2,930	£1,689	£1,540	£3,229	10.2%	+£25
5,000m ³	£7,950	£7,204	£15,154	£8,412	£8,413	£16,825	11.0%	+£139
25,000m ³	£36,065	£32,133	£68,198	£38,052	£37,054	£75,106	10.1%	+£576
75,000m ³	£93,142	£94,013	£187,155	£97,823	£108,081	£205,904	10.0%	+£1,563
<i>Trade effluent</i>								
Small (120m ³)	£296	£272	£569	£314	£325	£640	12.4%	+£6
1,000m ³	£1,597	£1,015	£2,613	£1,689	£1,243	£2,932	12.2%	+£27
5,000m ³	£7,950	£5,399	£13,349	£8,412	£6,709	£15,121	13.3%	+£148
25,000m ³	£36,065	£22,891	£58,956	£38,052	£28,316	£66,368	12.6%	+£618

- Note that these are all **wholesale bills** for retailers. Final bills for customers will depend on retailer charges.
- Only water services for customers using more than 50,000m³ per year are eligible for competition in Wales. No wastewater charges are included within the market.

We also provide water services in the Wrexham area. We don't provide sewerage services there, so the wastewater charges for these customers will usually be set by Dŵr Cymru Welsh Water (DCWW). We've estimated overall bills in Wrexham including DCWW wastewater bills.

Table 2 - Wholesale bills for typical customers in the Wrexham area

Wholesale ¹	22-23 Water	Waste ¹	Total	23-24 Water	Waste ¹	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£138	£249	£387	£153	£277	£430	11.1%	+£3.50
Average	£242	£414	£657	£271	£453	£724	10.3%	+£5.75
High	£326	£546	£872	£365	£595	£960	10.0%	+£7.25
<i>Metered</i>								
V.Small (60m ³)	£91	£186	£277	£97	£223	£320	15.5%	+£3.50
Small (120m ³)	£222	£365	£587	£237	£417	£654	11.5%	+£5.50
1,000m ³	£1,341	£2,057	£3,399	£1,416	£2,251	£3,667	7.9%	+£23
5,000m ³	£6,653	£9,474	£16,127	£7,042	£10,347	£17,389	7.8%	+£105
25,000m ³	£33,004	£45,556	£78,560	£34,992	£49,706	£84,698	7.8%	+£512
75,000m ³	£93,142	£135,996	£229,138	£97,823	£148,365	£246,188	7.4%	+£1,421

1. Estimate based on information shared by Dŵr Cymru with an adjustment for the actual value of inflation.
2. Only water services for customers using more than 50,000m³ per year are eligible for competition in Wales. No wastewater charges are included within the market.

Dŵr Cymru sewerage bills for 2023-24 are estimates because we didn't have their final charges at the time of publication. We've based these values on information they have shared with us, adjusting for the final value of inflation which was not available at the time.

Why bills are changing

Each year the revenue controls set by [Ofwat](#) (our regulator) allow us to recover a fixed amount of revenue from our customers. This covers the cost of treating water, running and maintaining our network and cleaning wastewater before it is discharged to the environment (you can read more about what your bill pays for [here](#)). For most of our charges this is modified by inflation, adjustments for performance and any past over or under-recovery in previous years.

This year:

- Inflation as measured by the Consumer Prices Index with Housing (CPIH) was 9.3%;
- [Ofwat](#) set an effective real increase of +5.4% for our wholesale water service and an increase of +10.2% for wholesale wastewater revenue;
- There was [Revenue Correction](#) adding +3.2% to charges this year – we had less revenue than we expected in 2021-22 due to the uncertainty over business demand in the wake of the pandemic; and
- We did not fully achieve some of our performance commitments leading to some penalties ("[Outcome Delivery Incentives](#)" or "ODIs") – these reduced charges by -2.0%.

The level of charges is also influenced by volume. When we set our charges, we divide our allowed revenue over the properties we serve and the volume we expect them to use. When the volume increases, this lowers our average charges and if it falls then we need to increase charges to raise the same level of revenue.

Forecasting business demand has been difficult since the pandemic, with lockdowns and recovery making this more uncertain. Business demand has been lower than we expected this year, leading to a lower contribution to the cost of running the services we provide and upward pressure on bills for all customers. We now expect the economy to move into recession during 2023-24 and do not expect demand to reach the same levels as we saw before the pandemic.

Stakeholder views

Our research tells us that household customers become concerned if their overall bill increases by more than £2 per month, which is equivalent to around 7.2% of an average household bill in our area. Non-households are much more varied in size so there is no “average” non-household, but small business customers (the vast majority, by number) have usage similar to households. We now conduct a survey on this topic each year as part of our “customer tracker”; the results are very consistent from year to year.

Unfortunately, due to the current high level of inflation bill increases will be higher this year. We know that inflation affects our customers – it also affects our costs, and this is why our charges are linked to the rate of CPIH. Our underlying revenue controls also allowed for some increases to fund the continuing investment that we need to provide the service customers expect.

As we don’t provide sewerage services in the Wrexham area, we’ve estimated the overall bill impact with indicative figures for Dŵr Cymru Welsh Water bills. Our assessment is [here](#). We showed a draft view of our charges to [CCW](#), who represent the views of water customers. We’ve taken account of their views and have rebalanced our charges to limit the higher increases wherever we can.

Our discussions with CCW took place before we had finalised our charges. There is always some variation when we publish our final charges, because we don’t know what the final inflation figure will be until December. Forecasts for inflation have been rising and demand has been more uncertain than usual because of the continuing fallout from the Covid-19 pandemic.

Our retail account managers also engage with retailers directly, particularly regarding the way our charges are structured in CMOS¹ and we are simplifying our tariff structure within the system. Note that only wholesale water charges that could apply to non-households using more than 50,000m³ of water per year are included within CMOS for Hafren Dyfrdwy.

Managing changes in wholesale bills

Next year the combined increases in wholesale prices for customers in the market are broadly in line with the rate of inflation. As the economy recovers, we hope to see greater stability in future charges.

¹ Central Market Operating System

Glossary

Revenue correction

We are regulated by Ofwat, which sets our revenue controls. We are allowed to collect a fixed overall amount to cover the cost of running the network, supplying water, collecting waste water and treating sewage. When we set charges, we try to make sure that they will recover the correct amount in the next charging year, but we need to forecast – for example, we don't know exactly how much water customers will use in advance. If we collect more than Ofwat allowed, we return this to customers by reducing future charges and vice versa.

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Outcome Delivery Incentives (ODIs)

When Ofwat sets our revenue controls, we also agree a set of Performance Commitments with our regulator and other stakeholders. These are things that our customers tell us are important to them such as reducing bursts, leakage and sewer flooding. If we don't hit our targets then customers get a reduction in their bills; if we do really well and exceed the target then we are allowed to collect a little more revenue. Overall, ODIs are a small proportion of the average bill. You can read more about what your bills pay for on our website [here](#).

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